

EUROPEAN  
CITIZENS  
BANK

# EUROPE'S FUTURE MONEY SYSTEM

## A CITIZEN'S PERSPECTIVE



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# 1. FOREWORD

The European Central Bank (ECB) is one of the most powerful institutions of the European Union. Its policies and decisions have an impact not only on inflation, but on employment levels, the ability of governments to finance investments, housing prices, inequality, and climate change. In an effort to tackle the repeated crises of the last decades, the ECB has only further expanded its already considerable powers. Yet public debate and scrutiny have not followed suit. A fact that becomes all the more significant when considering that the Central Bank is staffed with unelected officials.

Given the current disconnect between the ECB's macroeconomic policies and peoples' everyday financial concerns, not to mention the aura of elitism and complexity that surrounds the topic of monetary policy, citizens feel disenfranchised and discouraged to debate the topic. This barrier to engagement is only compounded by the complete lack of mandatory education on the money system for ordinary citizens. The European Citizens' Bank project was a first attempt by Positive Money Europe and its partners to tackle this issue.

The goal of the project was to empower citizens to talk about the money system in the Eurozone and, importantly, to give them a space where they can voice their opinion about what matters to them. Why? Because only by empowering citizens to talk about decisions that impact their daily lives can we go from purporting to have a truly democratic system to actually having one.

The successful outcomes of the project shows that citizen engagement tools and instruments can improve dialogue and trust between citizens and European institutions, and that these tools can be scaled both in terms of geographic reach and topics. The project has already inspired future initiatives to further improve citizen participation on monetary issues, but also on other topics like climate change. I look forward to supporting these initiatives and sharing my learnings from the European Citizens' Bank!

**Vicky Van Eyck**

European Citizens Bank Project Manager

A handwritten signature in black ink, appearing to read 'V. Eyck', with a horizontal line underneath.

## 2. ENDORSEMENTS AND TESTIMONIALS

### ITALIAN PARTICIPANT

*"The European Citizens' Bank project has been a unique and very educational experience. An important step to create awareness among citizens about the role of the ECB in our lives"*

### GERMAN PARTICIPANT

*"In my opinion this initiative has an important symbolic value. For many of us, the ECB's intervention is very abstract and far away (both literally and metaphorically). Yet it has a major impact on the money we earn, save and spend, and thus affects a major part of our daily lives. Therefore, I highly appreciate Positive Money Europe's efforts to involve all European citizens, regardless of their level of knowledge or education"*

### SPANISH PARTICIPANT

*"The proposals have all been very appropriate to improve and democratise the ECB, bringing such an important institution closer to the citizens. The webinars were very comprehensive and improved my understanding of the ECB and its tasks with very knowledgeable participants"*

### DUTCH PARTICIPANT

*"When citizens talk about the money system, it may seem nonsensical because of its complexity, but citizens are very capable of stating what criteria they think the money system should meet in order to ensure that [it] helps us achieve the world we want to see!"*

### FRENCH PARTICIPANT

*"I am glad to have participated in this project. Convinced of the need for changes in monetary and fiscal policies to ensure the ecological transition, I was able to exchange views with experts and ordinary citizens in a friendly environment. I learned a lot from our debates."*



### **ISABEL SCHNABEL**

(Member of the Executive Board of the ECB)

*"Your initiative is very welcome. We have conducted numerous listening events ourselves and will continue to do so. The feedback from citizens is one important input into our strategy review."* (Source: [Twitter](#))



### **FRANK SMETS**

(Head of Monetary Policy at the ECB)

*"Of course, we know about this initiative. [...] It is very important to have initiatives like this because it helps people understand what the European Central Bank does and what monetary policy is all about. [...] We like to interact and contribute wherever we can."* (Source: [Twitter](#))



### **PETER PRAET**

(Former Chief Economist at the ECB)

*"This initiative is very important. [...] I am impressed at what the project has managed to achieve in a short time."* (Source: [YouTube](#))



### **LISA PAUS**

(Member of the German Parliament and the Finance Committee)

*"I very much welcome this format. Thank you and please continue."* (Source: [YouTube](#))

## 3. WHAT IS THE EUROPEAN CITIZENS' BANK?

### 3.1 PURPOSE

The purpose of the European Citizens' Bank is to empower citizens, irrespective of their background knowledge, to discuss monetary policy in the Eurozone, and tell policymakers what matters to them.

### 3.2 GEOGRAPHIC REACH

The project officially aimed at engaging citizens in France, Spain, Italy, the Netherlands, and Germany, but naturally spilled over into Belgium and Austria because of geographical proximity and common languages.

These initial five countries were selected because they represent the full spectrum of the debate on monetary policy in Europe, with a balance between countries favouring tighter monetary policy (higher interest rates) and those favouring looser policy (lower interest rates). They also make up a big proportion of the Eurozone population. Involving other countries would have required a much larger budget and more time to find relevant partner organisations.

The experience of the European Citizens' Bank shows that, with more funding, it is perfectly possible to scale up this type of initiative to include all 19 Eurozone countries, and we encourage future initiatives of this kind.

### 3.3 TOPICS

The European Citizens' Bank platform aimed to introduce participants to current monetary policy debates by making these debates relevant to citizens' everyday lives and struggles. To this end, the platform listed some of the most common concerns that citizens have today regarding finance and the economy and presented a number of approaches (general directions) that the European Central Bank (ECB) could take to address those concerns. These approaches were used as a framework to explain how the monetary system works today and to introduce participants to the current debate about how it might work in the future. The six approaches, which also served as the basis for the topics of the webinars, are summarised below.

<b>GOING BACK TO BASICS</b>	Advocates for a narrow interpretation of the ECB's goal of ensuring price stability and takes a critical stance on the Central Bank's massive money creation programs over the last decade. It aims to address the concerns about rising housing prices, the negative effects on the value of pensions and savings, and the increasing gap between rich and poor.
<b>GOING GREEN</b>	Considers that the ECB could do more to prevent climate change. It addresses the concern that the ECB is currently fuelling the climate and environmental crisis - both actively, by implementing some of its current policies, as well as passively, by not adopting a more proactive stance on the issue.
<b>GOING NARROW</b>	Addresses the concern that commercial banks have become too powerful and greedy. It advocates for more supervision on debt creation as well as offering safer money to citizens in the form of a digital euro.
<b>GOING DIRECT</b>	Presents the possibility of a more direct relationship between the ECB and citizens, rather than relying entirely on financial intermediaries to carry out the former's policies. It addresses the concern that the ECB's policies do not sufficiently benefit individuals or the real economy.
<b>GOING DEMOCRATIC</b>	Builds on the concern that the ECB has become too powerful and that formal and informal scrutiny of its activities have not kept up. It advocates for clarifying or updating the ECB's mandate, strengthening its accountability framework, and diversifying its staff.
<b>GOING FISCAL</b>	Attempts to address concerns about rising inequality, unemployment, and bankruptcy of local businesses. It takes the stance that the ECB cannot do all the heavy lifting during times of crisis, and that fiscal authorities need to step up their public investments in times of economic downturn, with the ECB continuing to ensure favourable financing conditions.



### 3.4 ACTIVITIES

From April-October 2021, project activities took place on a digital platform that served both as an educational and a civic engagement tool. On the platform, participants from any European country were able to familiarise themselves with the basics of monetary policy and the ECB by accessing a beginner's guide, easy-to-understand information about the latest debates in monetary policy today (the "approaches"), and an extensive glossary explaining the jargon used by central bankers. The purpose of the educational material was to empower participants to discuss these topics with fellow participants and experts in our webinars, and ultimately to come up with their own proposals for the ECB. Participants could write and publish their proposals on the digital platform, or work on them together with other participants and facilitators during their country's Citizens' Assembly. The Citizens' Assemblies had the task of drafting, shortlisting and prioritising the final proposals for their country, which were then sent to the ECB and national and European policymakers.

At the end of October 2021, when all national Citizens Assemblies had successfully finished, each country sent two assembly delegates to a final event in Brussels. For two days, the country delegates got to know each other, discussed the situation in their countries, and learned about the possibilities for democratical influence on European monetary policy as well as the role of the European Parliament in holding the ECB accountable. Lastly, each pair of country delegates met a Member of the European Parliament (MEP) in their office in Brussels to discuss their assembly's proposals.

The MEPs chosen are either members of the European Parliament's ECON committee or have otherwise shown an interest in monetary policy and economic affairs, irrespective of their party affiliation. Citizen delegates met with the following MEPs:

- Martin Schirdewan (Germany)
- Ernest Urtasun (Spain)
- Paul Tang (the Netherlands)
- Fabio Massimo Castaldo (Italy)
- Pierre Larrouturnou (France)



*The French country delegates (left & right) together with MEP Pierre Larrouturnou (middle)*



## 3.5 THE PROJECT IN NUMBERS

**1127**

project participants

**126** in Spain

**283** in Germany and Austria

**482** in France and Belgium (Wallonia)

**160** in the Netherlands and

Belgium (Flanders)

**76** in Italy

**38**

proposals produced

by 5 Citizens' Assemblies

**5** from France

**10** from Spain

**10** from Germany

**7** from the Netherlands

**6** from Italy

**25**

Webinars organised

**10**

Delegates from 5 countries met in  
Brussels to meet with MEPs



# 4. THE CITIZENS AND THE ECB

## 4.1 THE CITIZENS' PERSPECTIVE

The proposals from the Citizens' Assemblies were primarily addressed to the European Central Bank (ECB), but also other bodies that have an influence on monetary policy, such as the European Parliament and national parliaments and governments, as only the latter have the power to amend, for instance, the treaties that limit the ECB's powers.

While public opinion on monetary policy often diverges between countries of the North and South, with the former said to be traditionally more hawkish and the latter to be more dovish, the same could not be said for the discussions between citizens in this project.

Citizens of all participating countries (Germany, France, Italy, Spain, the Netherlands, Belgium and Austria) shared a common concern about certain social and environmental issues. For instance, in the German and Dutch assemblies, citizens demanded that the ECB should commit itself to achieving the Paris Agreement and the Sustainable Development Goals of the United Nations. These two international agreements were already seen as binding on the ECB, obliging it to green its monetary policy and to minimise the negative effects on inequality as part of its secondary mandate - something that the ECB did not explicitly recognise in its latest strategy review.

Other proposals sought to link the ECB's money-creating power to the concrete funding needs of organisations whose business models prioritise the creation of social and environmental value. The Italian, as well as the German assembly, argued that the ECB should incentivise and force banks to increase their funding of ethical projects and decrease the barriers for disadvantaged population groups to receive loans. In the French and Spanish assemblies, citizens went a step further to question the role of banks as an intermediary of monetary policy, exploring how the ECB could give not-for-profit organisations and social entrepreneurs direct access to its balance sheet.

The reliance on commercial banks to create and allocate credit was problematised in all assemblies. Some proposals were along the lines of concepts such as "sovereign money", which advocates limiting money creation exclusively to public entities. This idea, which is sought to increase fairness and reduce financial fragility, was particularly popular in Germany and the Netherlands. Other proposals, involving Spain and the Netherlands for example, responded to this concern by proposing the separation of retail banking from investment banking, pointing out that the savings of ordinary citizens should not be exposed to the excessive risk taking by profit-hungry investment bankers. Bypassing the intermediary role of commercial banks, some Citizens' Assemblies

argued for the ECB to transfer money directly to households, for example in a form of a universal basic income as proposed by Spain and Germany. This was also seen as a reason to introduce a digital euro.

Almost all assemblies developed proposals that gave special attention to the role of fiscal policy and public financing as part of the macroeconomic environment in which the ECB operates. Both Italy and Germany demanded a revision of the Stability & Growth Pact, while other countries went further to propose increased purchases of Euro-level debt instruments and direct purchases of sovereign debt. This, they argued, would ease budget pressures of member states to finance necessary public investment in green technologies and education.

An important issue in all assemblies was democratic legitimacy and financial education. The Spanish and German assembly demanded that the ECB's mandate should be periodically reviewed by the relevant EU institutions. The French and Italian assemblies argued that gender diversity within the ECB should be increased to better represent the diversity of Europe's populace. The Dutch, Italian and French assemblies put a lot of emphasis on decreasing the gap between citizens and ECB policymakers, for example by establishing a citizen participation body within the ECB. They also argued for compulsory education on money creation and the banking system in schools.

All in all, it was apparent from all the assemblies that citizens understood the enormous powers of the ECB but that they felt it was not being used to tackle matters that are important to them. Interested in changing this, they participated in the project, while highlighting that their fellow citizens are often too disillusioned with European politics and institutions to join them. Although they recognised that some of the issues raised (i.e. credit allocation of banks, financial fragility, climate change) do not lie directly within the ECB's powers, they pointed out that the ECB often enables and/or reinforces these problems as the institution that sits at the top of the financial system. Finding ways in which the ECB can use the public resources entrusted to it in a fairer and more sustainable way and at the same time improve its democratic legitimacy, was a shared ambition among assembly participants.

## 4.2 THE ECB'S PERSPECTIVE

In July 2021 the ECB finalised its first strategy review in almost two decades. The review sought to formalise changes in policies that the ECB had already adopted in previous years, and to announce new challenges that the bank would take on in the coming years, especially on the issue of climate change. Below is a summary of the ECB's stance since the publication of its strategy review in relation to the issues raised by citizens in the assemblies.

### ON ADDRESSING SOCIAL & ENVIRONMENTAL ISSUES

The ECB acknowledges that climate change is a fundamental societal challenge that will affect its own operations. It announced steps that aim at reducing climate-related financial risks and signalled openness to review how its money creation programmes, such as the Corporate Sector Purchase Programme, could be adjusted to reduce its carbon bias. However, the ECB has shied away from more proactive and direct support for the fight against climate change and inequality, which is widely desired by citizens. The possibility of more meaningful measures than simply amending one of its asset purchase programmes, such as greening the Targeted Long-Term Refinancing Operations, remain untouched by the ECB. It remains unknown whether the ECB is even looking for more targeted forms of credit support for social and green projects.

### ON THE RELIANCE ON COMMERCIAL BANKS

The ECB has not questioned the role of commercial banks in today's financial system at all. In the context of the digital euro, its representatives repeatedly emphasise that the digital euro is not intended to challenge or circumvent banks, but to promote their importance in a time when there are an increasing number of financial institutions that are not banks (e.g., hedge funds, insurance firms). On the other hand, it might be too much to ask the ECB to publicly question the reliance on commercial banks for money creation and credit allocation given that this is a core feature of our current financial system. Nevertheless, the fact that citizens, during the assemblies, attributed many of the problems to commercial banks and financial markets, and questioned our reliance on them to create and distribute a critical public resource such as money, deserves and requires reflection by policymakers.

### ON THE ROLE OF FISCAL POLICY AND PUBLIC FINANCE

Especially in the course of the pandemic, the ECB recognised the importance of fiscal policy as a countercyclical stabilisation tool. When interest rates are at their lower bound, fiscal stimulus seems to be particularly effective and the ECB relies on it to manage a deflationary shock. However, the ECB has not moved beyond supporting the financing conditions of governments and emphasising the importance of interactions between money and finance. The proposals of the Citizens' Assemblies were much bolder, although they were also outside the ECB's current legal remit. Abolishing the ban on monetary financing in the Treaties is currently on almost nobody's

agenda. In contrast, the demand for reforming the Stability and Growth Pact is widespread and a big concern among Europe's policymakers.

## ON DEMOCRATIC LEGITIMACY

Under President Lagarde, the ECB has made a visible effort to diversify its staff and to engage with citizens. However, the demands of the Citizens' Assemblies highlight that much more needs to be done. For example, while the gender balance in the Executive Board and in leadership positions within the ECB is increasing, the Governing Council is still predominantly male and white. Furthermore, while it is a great step forward that the newly established Climate Change Centre at the ECB is also hiring climate scientists, it is not clear whether similar opportunities for interdisciplinary and heterodox work are possible within the institution.

As far as citizen engagement is concerned, it is too early to say if the ECB is merely reaching out to citizens, or if it is also taking their concerns into account. Outside the ECB, there is currently no credible attempt to amend the Treaties to increase the ECB's democratic legitimacy, e.g. by enshrining in law a periodic review of the ECB's mandate or simply updating the mandate. Nevertheless, discussions on improved accountability are intensifying in the European Parliament.

## 4.3 SUMMARY OF PROPOSALS PER COUNTRY

COUNTRY	PROPOSAL
ITALY	Member States should revise the Stability & Growth Pact and increase the coordination of fiscal policy.
	The ECB should incentivise the distribution of funding from commercial banks, providing citizens with affordable financing for their ethical and green projects.
	The ECB should create direct and guaranteed channels to provide citizens with liquidity to do business.
	The ECB should introduce the digital euro, designing a model that guarantees privacy and citizens' rights.
	The ECB should introduce regulations to guarantee and protect the stability of the government bond market, increasing coordination at European level.
	The ECB should increase gender diversity on its Board and promote financial literacy among underrepresented groups.
GERMANY	The European Parliament should review and update the ECB's mandate in regular fixed periods.
	The ECB should support fair and sustainable bank lending.
	The ECB should commit to the 1.5°C climate goal.
	The ECB should include housing costs in the inflation index.
	The ECB and Member States should strip banks of their money-making power.
	Member States should reform the EU fiscal framework
	The ECB should implement helicopter money.

	The ECB should directly finance Eurozone governments.
	The ECB should finance profit-independent and public-interest oriented firms.
<b>THE NETHERLANDS</b>	Member States should separate commercial and investment banking.
	The creation of money by commercial banks should be limited.
	Member States should introduce compulsory education on the financial and money system already in secondary school.
	ECB policies should be in line with the Paris Agreement.
	The ECB should investigate the introduction of the Tobin Tax on financial transactions.
	The ECB should create a body that would ensure direct citizen input to its policies.
	There should be a feedback loop between the ECB and citizens, where it explains why it has adopted certain policies and rejected others.
<b>FRANCE</b>	The ECB should diversify its executive board and give more power to the European Parliament.
	The ECB establishes a panel of economists with different ideologies and people with different skills.
	The ECB should introduce a debt-free currency for states, companies and households for the ecological and social transition.
	The ECB should use its balance sheet to encourage private investors to finance social and ecological projects.
	The ECB should improve access to easily understandable information about the Economic and Monetary Union.



## SPAIN

The ECB should introduce a digital euro that can be used by households and firms.

The ECB should introduce a digital euro that prioritises privacy and financial inclusion.

The European Parliament or another democratic institution should periodically review the ECB's mandate.

The ECB should study and publicise the distributional effects of its policies.

The ECB and Member States should separate commercial and investment banking.

The ECB should introduce programmable money that has an expiry date.

The ECB should distribute money directly to people.

The ECB should directly finance Eurozone governments.

The ECB should cancel the debt from Covid-19.

The ECB should give young entrepreneurs and start-ups access to its balance sheet.

## 5. PROJECT CONCLUSIONS

The European Citizens' Bank project was a first attempt to democratise knowledge about monetary policy in the EU and to give citizens a space to voice their concerns and ensure that those concerns are heard by the relevant policy-makers.

While the project successfully increased citizens' understanding of the European Central Bank (ECB) and monetary policymaking in the EU - 69% reported that the project activities increased their knowledge considerably - the project was less successful at engaging central-bank policymakers. Only two national central banks agreed to meet with citizens, and the final event, originally planned to take place at the ECB's headquarters in Frankfurt was eventually moved to Brussels as Members of the European Parliament (MEPs) were more open to talking to citizens. After meeting with country delegates from the project, MEPs reported having become more aware of citizens' concerns and priorities, with several of them willing to put pressure on the ECB to take citizens' concerns seriously.

While this reality highlights the important role that the European Parliament plays in representing citizens' interest at the European level, it also highlights improvements that the ECB can make in its efforts to engage with more citizens. Although the project acknowledges the efforts made by the national central banks and the ECB to organise meetings with citizens and civil society organisations during its latest strategy review, we believe that these efforts need to go hand in hand with more education about how the system currently works. Only by explaining monetary policy and how central banks work, can they successfully engage with ordinary citizens on these matters. By working with projects like the European Citizens' Bank, policymakers can delegate this important task.

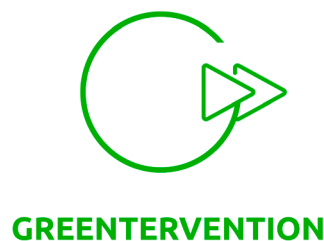
The project was also successful in terms of its goal of empowering citizens. Project participants reported that they felt at ease to form and voice their opinions and discuss these with others. Through the opportunity to develop and submit their own proposals as well as meet MEPs, citizens felt empowered to make themselves heard and push for change. At the end of the project, some participants indicated their intention to become more involved in debates and initiatives on Eurozone governance or to take on new civic engagement roles.

Finally, the project has already inspired future initiatives to increase civic engagement on monetary policy, which was largely absent in civil society up until now. For example, our Spanish project partner wants to create a pan-European platform that will have a dual aim of further raising citizens' awareness of European monetary policy and giving them the opportunity to voice their opinions and make suggestions to the ECB. . The platform will be a key tool to ensure that citizens' concerns are taken into consideration by the ECB in its strategy reviews (the next one is planned for 2025 and then every four years thereafter).

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